

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 H-02 INR-07 L-02 NSAE-00

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AMEMBASSY THE HAGUE

AMEMBASSY OSLO

C O N F I D E N T I A L BRUSSELS 2644

E.O. 11652: GDS

TAGS: MASS, BE

SUBJECT: F-104 REPLACEMENT

REF: BRUSSELS 02626

1. I SAW ECONOMICS MINISTER OLEFFE TODAY AND GAVE HIM OUR PITCH ON THE F-16. WE EMPHASIZED THE LOW ACQUISITION, OPERATING, AND MAINTENANCE COSTS OF THE AMERICAN PLANE AND THE QUANTITATIVE AND QUALITATIVE ADVANTAGES FOR BELGIAN INDUSTRY OF COPRODUCING THE F16. WE STRESSED THAT THE MAINTENANCE MAN-HOURS USED FOR EACH FLYING HOUR OF THE F-16 ARE ONE-THIRD OF THOSE REQUIRED FOR THE F104G. WE SAID WE DID NOT KNOW HOW THE MAINTENANCE MAN-HOURS NEEDED FOR THE MIRAGE COMPARED WITH THE F-104 BUT WE WERE SURE THAT THE BELGIAN AIR FORCE DID. (WE ARE REASONABLY CONFIDENT THAT THE MAINTENANCE REQUIREMENTS OF THE MIRAGE ARE GREATER THAN FOR THE F-104 AND JUDGE THAT THE INVITED COMPARISON WOULD BE TO OUR ADVANTAGE.)

2. OLEFFE HAD TWO QUESTIONS.

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A. HE ASKED WHY THE DUTCH DEFENSE MINISTER VREDELING HAD GONE TO WASHINGTON AND WONDERED WHAT HAD HAPPENED THERE TO CHANGE HIS POSITION FROM FAVORING THE F-1 TO FAVORING THE F-16. WE REPLIED THAT WE DID NOT KNOW WHAT REASONS VREDELING HAD HAD FOR GOING TO WASHINGTON; THAT WAS A QUESTION THAT COULD BETTER BE PUT TO HIM. HOWEVER, WE COULD REPORT THAT VREDELING WAS GIVEN A BRIEFING ON THE NATURE OF THE SOVIET THREAT AND ON THE F-16 PROGRAM ALONG STANDARD LINES. OLEFFE PURSUED THIS QUESTION FOR SOME TIME. IT IS EVIDENT THAT HE FEARS THAT SOME SPECIAL DEAL WAS MADE WITH THE DUTCH THAT MIGHT BE DETRIMENTAL TO BELGIUM.

B. OLEFFE ASKED WHAT GUARANTEE BELGIAN INDUSTRY WOULD HAVE THAT THEY WOULD SHARE IN THE COPRODUCTION OF THE F-16 HE WAS WORRIED ABOUT THE COMPETITIVENESS OF BELGIAN INDUSTRY AT THE PRESENT EXCHANGE RATE, LET ALONE AN EVEN LESS FAVORABLE RATE. WE REPLIED THAT GENERAL DYNAMICS AND PRATT AND WHITNEY HAD THOROUGHLY STUDIED THE CAPABILITIES OF THE BELGIAN INDUSTRIES AND WERE FULLY SATISFIED THAT THEY WERE SUFFICIENTLY COMPETITIVE TO ENABLE THE AMERICAN AND BELGIAN FIRMS TOGETHER TO PRODUCE THE F-16 WITHIN THE NOT-TO-EXCEED COST. OLEFFE AND HIS ADVISORS HAMMERED AWAY AT THIS PROBLEM. THEY WANT THE TIGHTEST POSSIBLE GUARANTEE THAT BELGIAN INDUSTRY WILL NOT BE LEFT OUT IN THE COLD SOME TIME IN THE FUTURE. WE SAID THAT GENERAL DYNAMICS AND PRATT AND WHITNEY HAD BEEN WORKING CLOSELY WITH THE BELGIAN COPRODUCERS ON THIS POINT AND WOULD BE PLEASED TO CALL ON OLEFFE AND EXPLAIN IN DETAIL THE COPRODUCTION ARRANGEMENTS THEY HAVE IN MIND. OLEFFE IMPLIED THAT HE WOULD BE PREPARED TO RECEIVE REPRESENTATIVES OF THE AMERICAN FIRMS BUT SAID THAT HE WAS PRINCIPALLY CONCERNED ABOUT THE POSSIBLE IMPACT OF FUTURE INFLATION AND/OR EXCHANGE RATE MOVEMENTS ON THE COMPETITIVENESS OF BELGIAN FIRMS. WE REPLIED THAT THE PRICE OF THE F-16 ASSUMES AN INFLATION RATE OF ABOUT SIX AND ONE-HALF PERCENT, WHICH IS CONSIDERABLY HIGHER THAN THE HISTORICAL AVERAGE OF THREE AND ONE-HALF PERCENT. WE ALSO SAID THAT THE UNDERLYING FACTORS THAT PRODUCED THE PRESENT RATE WERE CONFIDENTIAL

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LIKELY TO PERSIST. (WE REASON THAT THIS IS THE BEST LINE FOR US TO FOLLOW. TO ARGUE THAT THE VALUE OF THE DOLLAR IS LIKELY TO INCREASE MIGHT EASE BELGIAN CONCERNS ABOUT THEIR COMPETITIVENESS BUT WOULD ACCEPT THE FRENCH ARGUMENT THAT THE PRESENT EXCHANGE RATE ARTIFICIALLY DEPRESSES THE PRICE OF THE F-16. TO ARGUE THAT THE VALUE OF THE DOLLAR PROBABLY WILL FALL RUNS THE OPPOSITE RISK.)

3. ACTION REQUESTED: IT WOULD BE HELPFUL IF WASHINGTON
COULD PROVIDE US SOONEST WITH:

-- AN ACCOUNT OF THE MEETINGS IN WASHINGTON WITH
VREDELING THAT WE COULD GIVE TO OLEFFE, INCLUDING A
STATEMENT THAT NO SPECIAL DEAL WAS STRUCK WITH THE DUTCH.

-- ANY ADDITIONAL AMMUNITION TO HELP PERSUADE
OLEFFE THAT THE BELGIAN INDUSTRY WILL NOT BE DUMPED IN
MID-STREAM BECAUSE OF LACK OF COMPETITIVENESS FOR ANY
REASON, INCLUDING CONDITIONS BEYOND THEIR CONTROL --
I.E., INFLATION AND/OR EXCHANGE RATE VARIATIONS.FIRESTONE

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